A Framework for Organizational Governance of Knowledge and Learning

Identifying the decisions and decision-makers required to build and sustain an effective K&L program

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Many organizations are making substantial investments in their knowledge management and learning (K&L) functions. These organizations correctly recognize that knowledge and learning are the keys to their growth, innovation, and effective execution of strategy. While some organizations have reaped considerable returns – notably including General Electric, McKinsey, Toyota, the World Bank, and Goldman Sachs – we have observed that many are suffering from poor performance or are not as effective as they could be. Like other human resource and IT-oriented initiatives, they have long struggled to align themselves to the businesses they serve. Some knowledge and learning programs have even been shut down or outsourced.

We combine the concepts of knowledge and learning in this article and in our research because we believe that they are really two sides of the same coin. Knowledge is only useful for those who can effectively learn, and learning is only effective if useful knowledge if available. We recognize, however, that many organizations still treat the two as separate entities. A recent Babson Working Knowledge study of 20 high-performing organizations, however, suggested that more than half viewed knowledge and learning as having close connections within their organizations, and were pursuing joint interventions for critical workforces.[i]

Regardless of whether organizations combine K&L or not, what determines the performance of these functions? The literature offers many suggestions. Often cited are: a clear vision and purpose for K&L, K&L alignment with strategic goals, management support, embedding K&L into business processes, an integrated technical infrastructure, an organizational culture that supports the sharing and use of knowledge, and metrics for measuring program success.

While we agree that these factors are generally important, we will argue in this article that they aren't the *cause* of a well managed K&L program, but rather the *result*. According to our research in ten knowledge-intensive organizations, what really matters to the success of K&L programs is how they are governed. No organization that we know of – not one – has enjoyed sustained benefits from its K&L program without establishing clear decision rights for how decisions are made and resources are used.

At first glance, this statement may seem glaringly obvious, even tautological. For other business functions – like finance, operations, or marketing – few would argue against the assertion that good governance is a requirement of effectiveness. But for historical reasons, which we will discuss in the first section of this paper, many responsible for K&L have not yet grasped the importance of governance. In the second section, we will define what we mean by K&L governance and identify the underlying actions that constitute it. Finally, in the third section, we will present the results of a study we conducted of ten large organizations with significant K&L programs. In this study we identify the various governance models used by the observed organizations and compare the results. Based on our analysis, and our experience with other organizations, we will offer recommendations for governance models and practices that we believe will provide superior performance.

Why Has Governance Been Neglected?

Our research has found three factors preventing K&L programs from getting the requisite attention and resources for a disciplined implementation and institutionalization of K&L programs: *K&L's novelty, K&L's invisibility, and K&L's context-sensitivity*. Let's look at each separately.

K&L are relatively new organizational disciplines, particularly when knowledge is incorporated. As a result, the models, standards, and vocabulary for describing K&L governance are still not commonly known or understood. In particular, knowledge management has only been in existence for about ten years as a documented practice. Contrast this with information technology, which has been with us for more than forty.[ii] Governing something as complex as human learning and knowledge is not simple. Without having a supporting framework, organizations often punt on formally governing K&L at all.

Lack of visibility is a second factor why so few organizations effectively govern their K&L programs. The pain that K&L is supposed to alleviate is most acutely felt *below* the senior management level. In most organizations, subordinates are expected to cater to senior executive knowledge needs, and substantial resources are devoted to "executive education." Non-executive employees are often told to find their own way through an online education or knowledge portal. The difficulty other employees have in finding the learning and knowledge they need in a timely way just isn't experienced by those on the top.

Because the problem is invisible to senior management, [iii] knowledge workers have often resorted to K&L skunk works. When times are flush, management may by default "let a thousand flowers bloom." The result of all this K&L activity not being visible at the enterprise level is that senior management seriously underestimates the amount of resources being dedicated to it. Often, K&L activity is hidden within other discretionary spending. For this reason, senior management may mistakenly think that K&L activity isn't *worth* governing.

A third hurdle preventing K&L solutions from being optimized across the organization is that they are famously context-sensitive. Business units sometimes worry that control from the top will spoil the local characteristics that make their program effective. These fears have on occasion been fueled by ham-handed efforts by senior management to bring K&L under control without really understanding how it works. Similarly, sometimes there is active resistance to enterprise-level governance. A business unit may be quite happy to share knowledge locally, but may be less interested in sharing organization-wide.

For these (and most likely other) reasons, K&L governance is not generally well executed. Nonetheless, some organizations do a much better job at K&L governance than others. What are the characteristics that separate superior performance from lackluster results? And how have these organizations "sold" the benefits of governance to K&L leaders at the business unit level? We will address these issues. But before we tackle them, we need to attend to some definitional matters.

What Is K&L Governance and What Is its Purpose?

We define governance as: *specifying the decisions that need to be made, and those who should make them, to maximize the benefits and efficiency of K&L activities.* Here we emphasize that governance is different from management, since governance's role is to determine who decides, while management is responsible for making and implementing decisions.

In our research and experience, K&L governance needs to specify the decision rights in three major program areas to be successful: definition, ecology, and evaluation.

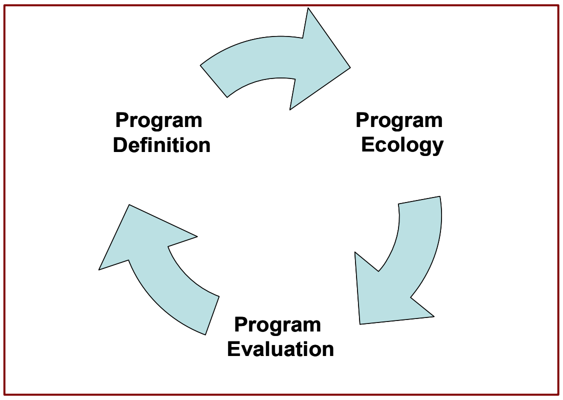

Figure 1: The Major K&L Governance Areas

Program Definition. Here, governance is concerned with assigning responsibility for what the K&L program will do. Specifically, organizations should begin by identifying desired outcomes. What is the vision for K&L and how does this vision support organizational strategy? Perhaps the organizational strategy is to derive a higher percentage of revenue from new products, or to retain knowledge being lost through retirement and attrition, or lower costs for selling and delivering work. If K&L is to be a "must have" and not a "nice-to-have," then these outcomes should be clearly specified. Once organizations have targeted these goals, they should take the next step of setting an overall budget for K&L.

Creating a portfolio is the last step of program definition. It must be clear who has responsibility for evaluating K&L projects organization-wide to ensure that they support business strategy, have a desirable risk profile (i.e., the portfolio is bold enough to move the organization forward but not so risky as to be foolhardy), and have the right mix of projects to deliver short term wins while also building for the future.

Program Ecology. These responsibilities involve ensuring that the environment for doing K&L projects is both efficient and conducive to long-term success. In our view there are 8 types of K&L responsibility. Below we describe the core aspects of each.

Developing and Establishing K&L cultural norms. This touch point defines who is responsible for establishing the cultural norms that support K&L (e.g., that knowledge sharing is expected, that knowledge reuse is desirable, that the organization must constantly be learning.)

Defining reporting guidelines. Only if there are organization-wide guidelines for reporting expenditures, allowing for efficient aggregation across the organization, can the real costs of K&L be understood (This exercise can be more contentious than one might imagine. Especially on the knowledge side, separating knowledge management activities from operational ones can be difficult.)

K&L governance communications. Governance works in a vacuum unless it is able to communicate its purpose and decisions. Responsibility needs to be assigned for creating and maintaining the communication channels and education efforts that disseminate K&L governance principles and policies, and the outcomes of the K&L decision-making process.

Architecture and application standards. Users expect consistency no matter what part of the organization they're in for such functions as search, collaboration tools, and online training systems. Responsibility needs to be assigned to ensure that the organization isn't buying redundant applications (one organization we visited was running five different learning management systems) and that the applications work well together.

Shared services. Responsibility needs to be assigned for determining which shared services (e.g., collaboration tools, learning management systems) will be provided to the business units and which they will need to develop themselves. Service level agreements and charge out policies also need to be established.

Embracing Standards
Some people within organizations react to standards, like the ones suggested for K&L program ecology, negatively. They view them as an annoyance at best, and as stultifying creativity killers at worst. But, when carefully defined by those they will affect, standards can actually *enhance* creativity by allowing people to focus more on *what* they are trying to accomplish rather than on *how*. The classic example of this is HTML, the protocol for rendering Web pages. It is a strict, and some people would say clunky, standard which has nonetheless facilitated the release of an immense amount of creativity.

The standards for content. Both knowledge and learning functions rely on content to create value for the organization. Well-functioning K&L programs ensure that there are standards for the purchase, storage, tagging (including attribution), updating, retiring, and security of content.

The standards for K&L processes. Standards can also be useful for K&L processes. For instance, what are the standards for creating a community of practice? What are the requirements? How much funding will it receive? What justifications are required to their continued existence? And what are the criteria for retiring one?

The procedures for addressing standards exceptions. Properly applied, standards – contrary to popular belief – can be very effective promoters of innovation and change. (See sidebar.) Nonetheless, sometimes exceptions need to be made when adapting to new opportunities or challenges. The exceptions process is very important for enforcing the integrity of K&L governance while also ensuring that it doesn't become hidebound.

Program Evaluation. Governance can only maximize the benefits and efficiency of K&L activities if it establishes an effective feedback loop which includes senior management and the field. The first of two steps to achieving this upside is to assign responsibility for evaluating outcomes and promulgating lessons learned. Here the key function of governance is to instill the discipline to evaluate how well the program is being run, and to spread the learning to ensure all participants are performing at best practice levels.

The second step is reporting on actual expenditures. Here governance must make clear who is responsible for reporting on what was actually expended on K&L (as opposed to budgeted.)

The Characteristics of Good K&L Governance
Now that we've defined the objectives of K&L governance, we turn to the research study. The ten organizations we interviewed were from the professional services, banking, governmental, and energy sectors. All had substantial K&L programs. While diverse in their mission and organizational structures, they shared three characteristics. They have a diverse, most often global, clientele and workforce. Second, they are complex organizations with independent business units that are active in distinct sectors. Third, they are all knowledge-driven organizations, and thus have a clear need to manage K&L.

Notwithstanding their similarities, they approached governance of K&L in distinct ways. We categorized these in what we call "governance archetypes."[iv] The archetypes we observed in the sample were:

- **Business Monarchy**: Top managers from the business leadership decide for the entire organization.
- **IT Monarchy**: IT specialists, often from the Chief Information Officer's group, make the decisions.
- **HR Monarchy**: HR specialists, often led by someone from the office of the vice president of human resources, decide.
- **Federal**: Both corporate business leadership and representatives from each business unit make decisions (with or without the K&L organization being involved)
- **K&L Duopoly**: K&L leaders meets individually with business unit leaders to make the key decisions
- **Feudal**: Decisions are primarily made by the business units independent of corporate control.
- **Anarchic**: Isolated individuals or small groups make K&L decisions.

Some of the organizations combined K&L while others had separate organizations for them. While we believe that combining them is generally a good idea, doing so does not seem to be necessary for having successful programs in each area.

In order to judge the effectiveness of their K&L governance, we used a simple scoring system to evaluate these outcomes of governance effectiveness:

- The cost effective use of K&L
- The use of K&L to stimulate growth
- The use of K&L to improve knowledge asset utilization
- The use of K&L to improve business flexibility.

For each comparator organization, we rated each of these factors according to their importance to the success of the organization. We then rated the organization's effectiveness at optimizing these different factors. A score was then given for the overall effectiveness of K&L governance performance.[v]

	Bank	Energy	Govt 1	Govt 2	Govt 3	Govt 4	PS 1	PS 2	PS 3	PS 4
Governance Outcome										
1=Not important, 5=Very important										
Cost-effective use of K&L	5	4	3	3	3	4	5	3	4	5
Effective use of K&L for growth	3	5	2	1	2	1	3	4	3	2
Effective use of K&L for asset utilization	4	5	5	5	5	5	5	5	4	5
Effective use of K&L for business flexibility	5	4	4	5	5	5	4	4	4	5
Success Measure										
1=Not successful, 5=Very successful										
Cost-effective use of K&L	4	2	2	3	2	3	4	4	4	4
Effective use of K&L for growth	3	3	1	1	1	1	2	3	2	2
Effective use of K&L for asset utilization	4	3	2	3	2	3	3	4	4	5
Effective use of K&L for business flexibility	5	2	2	3	2	2	3	4	3	5
Governance Performance	**82**	**51**	**37**	**57**	**37**	**51**	**62**	**75**	**67**	**87**

Figure 2: Governance Performance Scores[vi]

The results are shown in figure 2. The first four rows of figures give the importance of the outcome. The next four indicate how successful the organization has been at realizing the value of K&L. The governance performance score can range from 20 (very poor) to perfect (100). From observation, it is our assessment that firms must have scores greater than 60 to begin to claim effective K&L governance.

How did the rating work in practice? Take for example the bank in our sample, represented in the first column of the table. For this firm, the cost effective use of K&L is “very important” because of the amount of resources dedicated to it. On the other hand, the use of K&L for growth is only somewhat important because profitability, and not growth, is the firm’s primary goal. This firm rates highly (second only to the profession services firm number 4) because for those measures that are important for it, it is also successful at realizing their benefit.

Contrast this with governmental organization represented in the third column (Govt 1). While the agency judged the importance of asset utilization and business flexibility to be high, it was not successful at realizing them, resulting in a low score.

One observation that can be immediately made is that effectiveness of these organizations’ K&L governance varies a great deal. We believe that this reflects the immaturity of K&L governance as a discipline. Unlike the governance of financial matters (where one would see much less variability), the governance of K&L is still not consistently practiced.

How do these scores relate to the governance archetype used by the organization? The results are striking:

Governance Performance Score	Organization	# of Employees (Approx)	Knowledge Governance Archetype	Learning Governance Archetype
87	PS 4	10,000	Business Monarchy	Business Monarchy
82	Bank	30,000	Business Monarchy	Business Monarchy
75	PS 2	5,000	Business Monarchy	Business Monarchy
67	PS 3	> 100,000	Knowledge Organization/Business Unit Duopoly	HR Organization/Business Unit Duopoly
62	PS 1	> 100,000	Feudal (with IT Monarchy for IT decisions)	Feudal (with IT Monarchy for IT decisions)
57	Govt 2	10,000	Feudal (but with an influential central body)	Feudal (but with an influential central body)
51	Govt 4	10,000	Until a year ago, feudal (and for some business units, anarchic.) With new organization, moving towards federal.	Federal
51	Energy	> 100,000	Feudal (with IT Monarchy for IT decisions)	Feudal (with IT Monarchy for IT decisions)
37	Govt 3	10,000	Anarchic and sometimes feudal at the regional and country levels.	HR Monarchy
37	Govt 1	10,000	Anarchic (with IT Monarchy for IT decisions)	Feudal (with IT Monarchy for IT decisions)

Here, the results are sorted by score. In no instance where the organization had allowed a thousand flowers to bloom – which is to say, where K&L was governed either at the business unit level (feudally) or at the individual or group level (anarchically) – did the organization have a top score.

Does the opposite hold: should senior management make all crucial K&L decisions? While we assert that establishing K&L governance *is* the responsibility of senior management, we would argue that making all of the decisions *isn't*. While a business monarchy is simple to administer, and often leads to efficient solutions (redundancy and diversity of K&L programs are generally reduced under such a model), it also has disadvantages. It can be difficult for the monarchy to understand all of the organization's K&L needs, especially in large organizations. (The top scores in our survey all came from relatively small organizations.) Isolated from the exigencies of the business units, such models can struggle to react with speed and accuracy to constantly changing needs.

For larger, more complex organizations, we believe that a duopolistic model may be best. In this model, the business monarchy assigns responsibility for portfolio management, environment, and evaluation duties to its Chief Knowledge and Learning Officers (who maintain consistency and efficiency) in conjunction with the business units (who advocate for an adaptive program.) In the duopolistic model, senior management maintains oversight (generally through quarterly meetings) while the CKO/CLO work with business units one-on-one to ensure that the K&L program meets nuanced and changing business requirements.

For organizations with large and complex constituencies – for instance in the public and non-profit sectors – a federal model may be more appropriate. While such a model can be cumbersome, decisions are made by the constituencies and business units voting – its inclusivity may trump efficiency.

While it may be prudent for the business monarchy to assign responsibility for the portfolio management, environment, and evaluation duties to duopolies or federal systems, we observed that K&L is most effective when it reserves governance of K&L visioning to itself. Overall strategy *is* the responsibility of senior management, and for most organizations knowledge and learning are key assets. Senior management's involvement also sets the tone for K&L. By actively participating in its management, K&L gains organizational stature.

How often should senior management participate in K&L? The results of our survey indicate that organizations with the most successful K&L programs involved senior management at least twice a year in governance, and quarterly involvement was common. We haven't seen cases of sustained success where senior management recused itself.

Does Placing K&L Under One Leader Make a Difference?

Some of the organizations we studied combined K&L functions under a single rubric and others separated them. Does it make a different in terms of performance? Our results showed that there was no correlation.

Governance Performance Score	Organization	K&L Functions Combined?
87	PS 4	No
82	Bank	Yes (though the emphasis is on learning)
75	PS 2	Yes
67	PS 3	No
62	PS 1	Depends on business unit, but generally "Yes"
57	Govt 3	Depends on business unit, but generally "Yes"
51	Govt 4	Yes
51	Energy	No
37	Govt 3	No
37	Govt 1	No

Besides setting direction, senior management in successful organizations was involved in making periodic announcements that reinforced the importance of K&L and its governance. As a result employees in these organizations were generally very aware of the importance of K&L and how it was governed.

What about the roles of Chief Knowledge and Learning Officers – are they necessary for success? The highest scoring organization in our survey, a professional services firm, didn't have one. The knowledge function is rotated among the managing partners, and is certainly viewed as a serious responsibility. But all other organizations with scores greater than 60 did have either a CKO or a CLO. In our experience, while these roles aren't necessary, they are useful because they provide a recognized advocate, owner, and organizational home for K&L.

Selling K&L Governance to Decentralized Units

At the beginning of this paper, we articulated several reasons why employees at the business unit level may be mistrustful of K&L governance. Since governance, to be effective, must have their support, what are the arguments that should be made in its favor?

One is that individuals at the business unit level should want good K&L governance as a means of getting more reliable access to resources. One can do K&L in stealth mode, supporting it using departmental funding, but ultimately the program will always be at risk. If K&L doesn't have senior management's attention, it will be vulnerable to inevitable budget cuts that will probably not take into account the program's value. The opposite is also true. Good programs, by having their value demonstrated, will be more likely to be able to convince senior management to increase investment in K&L.

Another motivation is that business units can increase their cultural alignment. Without senior management support, convincing fellow employees to buy into the specific cultural norms (e.g., sharing knowledge) that support K&L is a Sisyphean task. Only if the organization is in alignment with the goals and methods of K&L – and this means that employees understand that their advancement requires it – will K&L provide sustained value.

Finally, we have observed many effective K&L managers working in relative obscurity. Governance provides mechanisms for them to have more impact: standards allow local efforts to be shared across the organization; evaluation rewards good efforts and spreads best practice. (Also, because good governance creates positive business results, K&L managers can look forward to additional career opportunities.)

K&L practitioners are generally more interested in working on the content of K&L programs than in thinking about how to govern its functions. But knowledge and learning, and the organizations that use them, are complex. Our experience is that K&L program definition, ecology, and evaluation won't be optimized unless they are wisely governed. For those organizations dedicated to making their K&L functions provide optimal value, good governance is critical.

Endnotes

[i] Thomas H. Davenport, "Focused Learning for Mission-Critical Jobs," Babson Working Knowledge Research Center Research Report, December 2006.
[ii] Also, in contrast to K&L, investments in IT are very clear and tangible – they result in code and machines. Intangibles always suffer by this sort of comparison, though much work is currently being done to quantify intangible investments. (e.g., A good survey can be found in Measuring Capital in the New Economy, edited by Carol Corrado, et. al. published by University of Chicago Press in 2005.)
[iii] K&L efforts probably also suffered in senior management's eyes because the people who promoted them – for the most part pedagogues, librarians, and information technologists – were generally not seen as being core business contributors.
[iv]Some of these models were first used in an article entitled "Information Politics" by Thomas H. Davenport, Robert G. Eccles and Laurence Prusak, *Sloan Management Review*, Fall 1992, Vol. 34, No. 1, pp. 53–65.
[v] This scoring system was adapted from one provided by Peter Weill and Jeanne Ross, *IT Governance: How Top Performers Manage IT Decision Rights For Superior Results*, Harvard Business School Press, 2004, pp. 239–40.

[vi] The formula for scoring -- provided by Weill and Ross -- is: the following:

$$\frac{\left(\Sigma_{n=1 \text{ to } 4}\,(\text{importance of outcome}\{Q1\} * \text{influence of governance}\{Q2\})\right)*100}{\Sigma_{n=1 \text{ to } 4}\,(5 * (\text{importance of outcome}))}$$

Note that the lowest possible score is 20 (when all of the factors are rated 1) and that the highest possible score is 100 (when all of the factors are rated 5.)